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WORLD CHRONICLE

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DEVELOPMENT IN LATIN AMERICA

Fernando Zumbado, Assistant Administrator of the United Nations Development Programme (UNDP) and Director of the Regional Bureau for Latin America and the Caribbean, discusses what countries of the region should do to achieve economic growth and development. To enhance all aspects of development and protect democracy in the region, Mr. Zumbado says UNDP is assisting local communities to cope with post-war problems. Mr. Zumbado believes that the future of development in Latin America depends on the ability of the region to liberalize their economies and adopt a free market approach.

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ANNOUNCER: From United Nations Headquarters in New York, this is WORLD CHRONICLE, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's WORLD CHRONICLE.

LITTLEJOHNS: I'm Michael Littlejohns, and this is WORLD CHRONICLE.

Since the end of the cold war, many parts of the world have experienced significant political and economic changes. One of these regions is Latin America. After decades of conflict and civil strife, Latin American countries have achieved relative peace and political stability, a prerequisite for economic growth and development.

What should the international community do to assist countries of the region to protect democracy and realize human development?

Our guest today has a special interest in Latin American Affairs. He's Fernando Zumbado, Assistant Administrator of the United Nations Development Programme, or UNDP, and Director of the Regional Bureau for Latin America and the Caribbean. A national of Costa Rica, Mr. Zumbado will be interviewed here at United Nations Headquarters in New York by Ricardo Alday of the Mexican News Agency, Maria Garcia of the Caribbean Network System, and Ted Morello of the *Far Eastern Economic Review*.

Before we talk to Mr. Zumbado, let's look at a country's efforts in tackling one of its post-war problems. Our correspondent Steve Whitehouse reports.

NARRATION:

When the Gomez family in Nicaragua get ready on weekdays, it's not just the children who'll be going to school. The father, Isidro, will be joining them, not to learn, but to work. It's part of an innovative programme to tackle two of the town of Masaya's most pressing problems -- unemployment and a shortage of educational facilities.

Although the war has ended in Nicaragua, a depressing legacy remains: income is the lowest in Latin America, and the country has introduced International Monetary Fund reforms which include big cutbacks in education.

There are some rays of hope, however. Isidro and his three school-age children are benefitting from a project known as the Emergency Social Investment Fund.

Started with help from the UN Development Programme, it combines upgrading community facilities with jobs for parents.

ISIDRO GOMEZ (INTERPRETER):
It's a great thing that the project is going ahead. It helps those of us who are unemployed.

NARRATION:
The Masaya school has 3,000 pupils enroled. The war, and now economic problems, mean that Nicaragua is struggling to cope with rising numbers of school-age children. With financial help limited, one solution is to look for community potential which otherwise might go untapped.

FRANCESCO VINCENTI (INTERPRETER):
The strategy is to mobilize the non-conventional resources. They're the ones which are the most abundant.

NARRATION:
What is abundant is manpower. Seventy parents like Isidro have been hired to renovate existing classrooms and build new ones. But the aim is more than just job creation. Social Fund projects, which range from roads to sanitation, are based on a broader philosophy of encouraging a sense of long-term community participation. More classrooms will be crucial if Nicaragua is to tackle problems like a 25 per cent rate of adult illiteracy. The Social Fund is one way of harnessing Nicaragua's human resources. A school partly built by parents is a hopeful sign of returning national self-confidence, especially in Masaya, the town that lives in the shadow of the extinct volcano featured on the Nicaraguan national flag.

LITTLEJOHNS: Mr. Zumbado, as a citizen of Costa Rica, I guess you have a particular personal interest in the situation in Central America. How is the situation generally, apart from Nicaragua, which of course was very deeply affected by its internal and external problems? In the region as a whole, are things beginning to improve?

ZUMBADO: Yes. You have the perspective, you know, looking at the past. I think that nobody wants to go back to the past. Great progress has been achieved in reaching minimum potential consensus in most of the countries, and they are stopping the fighting. However, we know that that's only the beginning of a long process for development. And the problem that the region faces at this moment is that there is a

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great deal of international attention always when there is fighting, when there is conflict; once peace is somehow achieved, then the international community goes and looks someplace else, to the next fire. And we know that to sustain peace we really have to achieve many things, you know. The establishment of democratic institutions takes a long time.

In Costa Rica -- since you mentioned that I am from Costa Rica -- we say that the only thing that is instant is coffee, you know. Democracy takes a long time. And this requires working with different levels, approaching the problems of the country in a way that gives more participation to the people. That's the essence of human development eventually, you know, to work, we say, for the people, by the people and with the people. And the essential element is that the countries of the region have to do the main effort. But they need support from the international community at this next stage.

LITTLEJOHNS: Despite the UN's best efforts, the problems seem to persist in El Salvador. Are these problems upsetting the region as a whole, or is that just an internal situation?

ZUMBADO: I think El Salvador is making progress. I think there are normal moments where there is tension, and we have to overcome those tensions. And the history of the country over the last two years, you know, has been that. Sometimes we seem to hit a wall, but somehow the Salvadorians manage to overcome the situation. It's not going to be easy, but what has been done is really remarkable.

Nicaragua went through this process two years ago, and Nicaragua is having serious problems at this moment. I am more concerned now with Nicaragua than I am actually about El Salvador. Guatemala is coming along. And so, I think if you look at the region as a whole, the Salvadorian experience has been positive in promoting peace and democratic institutions in the region.

LITTLEJOHNS: There is a Central American economic community, is there not? How successful is that?

ZUMBADO: There was a -- this was an effort that began in the sixties, with a common market. It was quite successful. The rate of growth of the economies was remarkably high. They reached a point where they started having problems, and the political conflict really caused even more difficulties for the market. And now there is a new movement towards a different type of integration.

LITTLEJOHNS: On the European Economic Community pattern? Is that the --

ZUMBADO: With limitations, you know, two different moments in history, two different levels of development. You know, you have to keep the differences in mind. But there is an economic base that can really be exploited on a regional basis much better than on an individual basis by the countries. If you think of individual countries in terms of energy -- for example, El Salvador can probably not be self-sustainable in terms of energy, but if you look at the region, with Honduras, with Costa Rica, with Panama, then the region can be self-sufficient in everything. The same thing goes for water. The same thing goes for an integration of certain types of industry.

So we're looking now at a different type of integration, not so much a common market of, you know, an area where goods that are produced in your area are protected, but in terms of using a solid economic base on a regional basis, having the capacity to negotiate jointly with the external world to get better terms for the different issues that are important for the region.

And also for the promotion of certain -- of democratic institutions. The Central Americans are talking about a Central American justice system, they are talking of doing many things that before were completely, in terms of human rights, all those things in common. And I think that's the new Central America.

ALDAY: Mr. Zumbado, you have just said that you are more concerned with the outlook of Nicaragua. Can you elaborate a little bit on this? Is there any real chance of stabilization and coming back with the progress Nicaragua has achieved in the last two years?

ZUMBADO: I think that Nicaragua has been successful in stabilizing the economic situation, for example. And that's one of the big issues. How we can sustain the effort and the support of the international community over the years. The country still has been going through a very strict austerity plan, because the inflation has been controlled on the basis of suppressing demand. This can be done for one or two years, but it cannot be sustained for four or five years when you have such low levels of income -- the bare necessities of the population are not really being covered.

So I have a very strong feeling that this is the moment where we have to be present -- the international community -- in supporting this process. There are still in the country some tendencies that you observed in the past that are an obstacle for

reaching consensus. Different groups are not getting a grip on what is necessary to have a democratic system work. The relations in the parliament, in the congress; the relations of the judicial system with the congress, with the executive. All these things, you know, are part of a culture of democracy that cannot be improvised. The main problems are the impatience of the people of Nicaragua that want a better standard of living and the impatience of the international community that wants things to be solved in a very short period of time.

I think we need time. At the national level, at the international level, to get to the point where we can feel secure about the future democratic, economic and social development in Nicaragua.

GARCIA: Mr. Zumbado, after that generation of turmoil, all Central America seems to be on the right track towards peace and democracy. But the national situation of these countries, in terms of achieving economic development, seems beyond human effort. My question is how does UNDP, the United Nations Development Programme, promote development in Central America? In specifics.

ZUMBADO: There was a remarkable moment a year and a half ago where all the seven presidents of the region, including Panama, signed an agreement for human development. And this included specific targets for the allocation of national resources, in terms of spending money, and things that are mainly -- in programmes that are designed or geared to reach the majority of the population. I am talking about basic health, education. And also this implies a basic agreement in terms of how much should go to the military and how much should go for other types of things. I find this is a remarkable moment in the history of Central America, and these are programmes supported by us.

We have also a very large programme to support the displaced and the refugees. It's called *Prodere*. And this has been done mostly with resources from the Italian Government: it's $150 million, and it's basically to reach, to address the transition period when people are refugees and they have to be incorporated into their societies. And how this can be done with the local communities, I mean, not treating them as something that came from Mars, but something that is natural to the environment, and how we incorporate the rest of the community in this effort without a high degree of participation on the part of the communities. The clip that we saw at the beginning has some elements of that.

GARCIA: I have a follow-up question. And that goes into El Salvador and Nicaragua especially. What do you think are the main difficulties to rebuild war-torn countries in the case of El Salvador, for instance, and Nicaragua?

ZUMBADO: I think there is a basic element which is fundamental, which is to have a consensus inside the society about what they want for the future. That's an essential element. If you don't have that, then the tendency will be there to go back to the conflict situation. The second element is to have a very well-designed social sector policy in the sense of channelling resources to reach the majority of the population. And this is something that is easy to say but difficult to do, because there are many interests in every country, including the United States or Europe, for the allocation of resources. And we want to reach the majority of people in health and education. This requires an internal effort to assign resources in a different manner. And the third, of course, is the obvious one: how to have enough confidence on the part of the private sectors in these countries to invest in the future of those countries. Governments cannot do everything; you cannot really develop only in the social sector, you need economic growth, and that means investment. And now the possibilities for investment are global also. These countries are competing with the possibility of investing in the rest of Latin America, in Europe, in the Far East, and confidence is a very essential element of the equation.

LITTLEJOHNS: The programme is World Chronicle, our guest is Fernando Zumbado, UNDP Assistant Administrator and Director of the Regional Bureau for Latin America and the Caribbean. Ted Morello.

MORELLO: Mr. Zumbado, you've mentioned the positive aspects of the end of the cold war, which are there, obviously; there is another aspect of it, though: much fear was expressed, particularly among the least developed countries, that the attendant democratization of Eastern Europe particularly would divert funds -- UNDP would certainly be affected -- from the third world to Eastern Europe, the Soviet Union and so forth. Has that been the case? Have you felt the impact of that in Latin America?

ZUMBADO: I think we are going to feel that more and more. We are talking of greater needs and less resources. And I think that for the region it is unrealistic to expect a huge flow of donations of that type of very soft resource. And I think that the future of the region depends on another element of what we discussed in our last Human Development Report, 1992, which is trade. The future of Latin America depends on the possibility of having free markets for our products that are competitive.

We calculated, for example, in the last Human Development Report, that the cost to the developing worlds of barriers to trade was something like $50 billion, which is an amount equivalent to all the flows in terms of donations and multilateral loans to the developing world.

For our region in particular, where we are in a capacity to export tropical products, different types of foodstuffs, that's essential. One, for example, is the limitations to the exports of bananas from Latin America to the European Community. If barriers to trade are abolished, I think we will have a much better chance to be self-sufficient and to develop. I think it's a more healthy way to develop -- you don't depend on the outside, you just play the game according to the rules. And this is very important, because we have been told, as a region, that we have to become competitive, that we have to open our economies -- and all the countries have been doing that. You see, you know, you look at what they have been doing in terms of barriers to trade, and liberalization of trade, we have been doing that. But when we try to export, then we still find blocks. And that's an essential topic, and I hope that the next Uruguay Round will address this. I know it's a difficult political issue for many developed countries, because we are talking of affecting specific powerful interests in Europe and other parts of the world.

MORELLO: Has UNDP had any success in diversification of industry? This has been a thing that's been going on for -- talked about in any case -- for decades. You mentioned bananas in Central America, and it's coffee in Colombia, and so forth.

ZUMBADO: Many of the countries where we work, we have export promotion schemes, projects, to support the diversification of exports. And there are quite a few success stories. You know, Chile is a very obvious success story. We were not involved, but the Chilean economy has been diversifying, and they are very competitive in many ways. We have been involved in diversification in Colombia, in Central America, and most of the countries are working in this direction. That's why it's important. If we go in this direction and we are successful, then we need the outside world, you know, the external situation, to facilitate this process and not to be an obstacle.

ALDAY: Mr. Zumbado, you were talking about trade and Central America, where the countries of Central America will soon establish a free trade agreement with Mexico, Venezuela and Colombia. I want to ask you whether you think the region, Central American countries, are prepared politically and economically for this, and how will this affect their path towards stabilization in this particular region?

ZUMBADO: I think that there are varied and natural complementarities between these bigger countries, like Mexico, Colombia and Venezuela, and the Central American countries. The region can produce many agricultural products that can be easily sold in these countries. These countries have energy in terms of oil, for example, that Central America doesn't have. So the complementarities are quite obvious.

The will that these countries have shown towards facilitating this process has been very positive. They have been an example: for example, the negotiations between Mexico, Venezuela and Colombia, and Central America in terms of how to eliminate barriers to trade under different circumstances. Central America is allowed to keep certain protection for five, ten, fifteen years, and Mexico lowers theirs immediately, to allow for the accommodation of these smaller economies to a relationship with a bigger economy. It's a very good example of what can be done to accommodate different types of situations of this sort.

So I think the region is ready. I think this is part of the tradition, that the three countries have been very concerned about the future stability in this region. You know, since Contadora. And what they are doing now is part of a relationship that has been established through the years and everyone realizes is positive.

GARCIA: Mr. Zumbado, in answering my second question you mentioned three primary elements, and those were social advancement, allocation of resources, and confidence for investment. In the light of these three elements, to what degree has UNDP changed the policy of ISI, the policy of investment, or import.... excuse me...

ZUMBADO: I think we are moving into -- our problems are changing in nature. And this is part of the new world, you know. We now realize that you can have modern economies in societies that are not modern. So you have to work in building certain institutions that are fundamental for the economy to work. I don't know, you want -- something more specific.

GARCIA: I want to be more specific. The policy of ISI, as you know, is the policy of Import Substitution Industrialization in Latin America, and this policy forces countries of the region to import more goods than to export. And according to many experts, this is one of the causes for the slow development in the region. So I want to know how to solve this problem, from the point of view of....

ZUMBADO: No, the economic advice that has been flowing, and what we have been promoting, is to have a different type of development. We know that we cannot really depend on import substitution any more to have protected internal markets; that the result of this has been the creation of an industrial sector that is not competitive enough because it has been depending on this protection; that the low economy demands the capacity of the countries to be competitive -- the ones that can do it, that will do it, are the ones who are going to develop. And this requires a different strategy: opening economies, making industry more competitive, finding the possibilities for those niches in the international market where we can penetrate with our programmes. That has been part of the strategy, and that's been promoted in every single one -- I cannot think of exceptions -- of the countries of the region.

Now, for this to work, international markets, as I said before, have to operate freely, because otherwise this poorly-led competitive way to approach development will be exhausted because the markets are not going to be free, and that's the big limitation that I see in the future.

LITTLEJOHNS: Mr. Zumbado, we've rather neglected the English-speaking states of the Caribbean. What's the situation like there?

ZUMBADO: I think -- we just had a meeting a few days back in the Inter-American Development Bank that will co-sponsor their own social reform and poverty. And the World Bank was there, the International Monetary Fund, the ministers of the economic sector and the social sector, and many delegations from the Caribbean. And one representative of the West Indies said when he heard the conversation, the discussion, that the Caribbean had shown that you can have democracy in spite of the limitations of poverty, but there is a different culture. And that the issues were different. And I think the big issue in the Caribbean -- there is a report of the West Indies Commission that is very interesting about the future of the Caribbean. One of the big challenges is how to give opportunities, work opportunities, for the young -- that's the big issue in the Caribbean countries. And if you realize that there are as many Caribbeans, English-speaking Caribbeans living outside the Caribbean as in the Caribbean, the issue of opportunity, of mostly work, the issue of the quality of the education, to be able to compete in a world that requires a very educated labour force is one of the things that I think is very important.

And one of the things that we always discuss when we Latin Americans, the continent and the islands meet is how to really go beyond the speech, the words, you know, and establish greater cooperation. And I feel that there are great possibilities for complementarity. And that the closer we can be, the sooner we can establish those bridges between the Caribbean and Latin America, the better off we will be.

LITTLEJOHNS: Mr. Zumbado, that's all the time we have. Thank you for joining us on this edition of World Chronicle. Our guest has been Fernando Zumbado, UNDP Assistant Administrator and Director of the Regional Bureau for Latin America and the Caribbean. He was interviewed here at United Nations Headquarters in New York by Ricardo Alday of the Mexican News Agency, Maria Garcia of the Caribbean Network System, and Ted Morello of the *Far Eastern Economic Review*.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of World Chronicle.

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